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DE RUEHAA #1522/01 3291247

ZNY CCCCC ZZH ZFR

P 241247Z NOV 08 ZDK

FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 1904

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHAK/AMEMBASSY ANKARA 4530

RUEHBJ/AMEMBASSY BEIJING 2340

RUEHKO/AMEMBASSY TOKYO 2205

RUEHIT/AMCONSUL ISTANBUL 2778

RUEHVEN/USMISSION USOSCE 3094

RUEKJCS/SECDEF WASHDC

RHEHNSC/NSC WASHDC

RUEKJCS/JOINT STAFF WASHDC

RUCPDOC/DEPT OF COMMERCE WASHDC

RHEBAAA/DEPT OF ENERGY WASHDC

RHEFAAA/DIA DAH WASHDC

RUEAIIA/CIA WASHDC

RHMFISS/CDR USCENTCOM MACDILL AFB FL

C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001522

//////C A N C E L ZFR - MESSAGE WILL BE TRANSMITTED UNDER NEW MRN//////

SIPDIS

STATE FOR SCA/CEN, EUR/CARC, EUR/RUS, EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: DECL: 11/24/2018

TAGS: ECON EPET PBTS PGOV PHUM PREL TX

SUBJECT: TURKMEN FOREIGN MINISTER: MORE OF THE SAME

REF: ASHGABAT 01512

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Classified By: CDA Richard Miles for reasons 1.4 (b) and (d)

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with Azerbaijan - still we have a way to go in that regard. While we are self-sufficient," he said, "and Azerbaijan is self-sufficient, we still need to work together." President Berdimuhamedov is not just thinking about profits, but is also thinking about the future and about the energy needs of other countries.

Pipelines and Upstream Gas

¶6. (C) Ambassador Mann said he understood the President and the Minister's thinking. We do strongly support a trans-Caspian pipeline but the main obstacle was the upstream gas to fill it. This was the decisive point for us. Ambassador Mann then repeated his comments made previously to President Berdimuhamedov about the lack of experience of the Turkmen oil cadres in exploiting these difficult sub-salt deposits. Ambassador Mann cited the not always positive experience of the Buried Hill Energy Company's project in Turkmenistan in this regard. (Note: Buried Hill is working offshore in the area disputed with AZ. They wouldn't be having subsalt difficulties.) Ambassador Mann emphasized the argument that American companies could help with the difficult development of Turkmenistan's onshore deposits. "You need long-term

agreements with major energy companies," he said, "you need highly developed reservoir management, you need advanced training of your skilled cadre." He emphasized that our companies want to explain in detail to you and to President Berdimuhamedov how they could help you exploit your resources. Perhaps experts and representatives of the major American companies could come to Ashgabat in January to provide a more detailed explanation of our approach. Ambassador Mann said he doubted that Berdimuhamedov received an accurate stream of factual information. "Our people could provide that information."

In Defense of Berdimuhamedov

¶7. (C) The Minister responded forcefully, saying that Berdimuhamedov did have an objective view of the situation. President Berdimuhamedov knew, said the Minister, that there were problems of technology and of cadre preparation and, he went on, Berdimuhamedov had already done a lot - he had made structural and cadre changes in the energy sector - and all this in a short period. He had sent cadres abroad; he had introduced positive legislative changes, e.g., the Law on Hydrocarbon Resources. Of course, said the Minister, we have to prepare the new cadres; but we have already begun to work on this. In the recently released Gaffney Cline audit, said the Minister, the assistance of the Turkmen geologists and geophysicists was very favorably noted.

Higher Profitability and a Little Verbal Pushing and Shoving

¶8. (C) Ambassador Mann noted the higher degree of profitability resulting from the superior technology of American firms. He cited the success of the TengizChevroil Project in this

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regard. Yes, he said, the Russians could have done this despite the inherent difficulties, but the profitability would have been lower. Turkmenistan, emphasized Ambassador Mann, is seemingly the exception among major energy producers in excluding Western participation from onshore energy exploitation. The Minister and Ambassador then engaged in something of a verbal wrestling match on this issue. "I'm, to put it mildly, surprised," said the Minister, "when after you've heard the President say - Nothing on land - you still push this issue. Like it or don't like it, we've laid this position out very clearly. Ambassador Mann responded forcefully saying that no major American company was interested in a "service agreement." "Well, that's their decision," said the Minister. "There are Russian and European companies who want to do business with us on our terms." He cited a Belgian company currently constructing a gas compressor for Turkmenistan.

Conclusion

¶9. (C) Ambassador Mann said he was not talking about this sort of project. He was talking about management of the energy sector. President Berdimuhamedov had a point, but it was not good enough. Revenues are going to decline, said Mann, adding that he would not want to be the Turkmen Finance Minister in a few months time.

And a Digression

¶10. (C) The Minister then launched into an odd but vehement digression on the alleged mistreatment which Turkmenistan received at the 2007 Tehran Summit. President Berdimuhamedov had said that Turkmenistan did not need multi-party delimitation of the Caspian Sea - only bilateral agreement with Azerbaijan. No one supported us, he exclaimed. "I'm very put out," he said, "when countries do not support the positive Turkmen position. We understand Russian, Iranian, even Kazakh opposition, he said, but Azeri. "We're not naive," he continued, "we know what we are doing. If we can't reach agreement with our partners, we have no partnership - and we need that partnership. This is not an ultimatum," he concluded, "it's just our position."

¶11. (C) Comment. (Ambassador Mann to provide.)
MILES